

Research 2018

The Study for Building the Foundation of Social Policy

Hyung Man Kim, Young Sup Choi, and Da-Myoung Ro

1. Introduction

Korea's GDP has been rapidly growing for a long time after first planning for economic development in 1962. As result of such quick economic growth, absolute poverty disappeared in Korea. However, Korea has been facing social problems of inequality after the economic crisis in 1998. Moreover, existing economic growth model in Korea has been enlarging the dual structure and income inequality in the labor market as well as education difference and opportunity inequality. Such phenomena and the social risks associated with them bring change to social policies in relation to welfare state and social investment. In the future, the situation of social policy will be complicated because of synergy or trade-off effects among policy areas such as education, social security, employment, culture, disaster, environment and climate change. Therefore, the Korean government needs to establish implementation strategies of future social policy.

The purpose of this study is to set up a new conceptual framework on the basis of the changing situations of social policy, and to suggest an enforcement system for future social policy. Furthermore, this study is focused on reestablishing the key elements of social policy for the steering and cooperation of the Korean government ministries to pursue the future social policy.

This report is composed of six chapters. The first chapter contains introduction to start this report. Second, we discuss the theoretical framework in relation to social policy, and set up the theoretical framework on which the rest of the chapters in report are based on. Third, we explore the actual conditions of the Korean government to pursue social policy. Fourth, we suggest our main argument on three areas of future social policy. Fifth, the enforcement system for the future social policy in Korea is suggested. The last chapter is a conclusion of this report.

2. the theoretical framework of social policy

This theoretical discussion is focused on how to solve the social risks such as unemployment, death, disease, and retirement. The traditional theory of social policy prioritizes the welfare state in which the government helps people who are under social risks. The welfare state is based on economic and social structures in which men participate in the workplace and women raise their kids at home. The welfare state had solved social problems during the period of high economic growth. However, after oil shock in the 1970s, social inequality has expanded, and work incentive also has been weakened because of high welfare benefits like unemployment insurance.

After then, active social policy appeared with a new theory to solve new social risks posed by social inequality. This theory is often named ‘social investment state’, accentuating human capital investment in social problems. The social investment theory emphasizes the active labor market policy like education and training. However, recently, social inequality has been worsening in many OECD countries. In Korea, income inequality in the labor market has expanded, and labor productivity between large firms and SMEs has been enlarging consistently. The growth of value added per worker in SMEs has been in a downward trend. Korea’s traditional growth model has led to economic polarization and inequality nowadays. In addition, the trickle-down effect from economic growth appear to be weakening because of polarization and inequality in the labor market. This creates new challenges in relation to the future social policy in Korea.

To overcome the challenges of polarization and inequality, this study sets up a new theoretical framework for future social policy to create inclusive growth and sustainable development. Three elements are integral to this new social policy: competencies, productivity, and cooperation. This elements play an important role in alleviating polarization and inequality in the labor market. Competencies mean the ability of human resources that is brought up by investment in people such as education, training, and work-based learning. Productivity is related to several factors such as industrial structure, workplace organization, skills, and market conditions. Lastly, cooperation is essential in accumulating social capital, which refers to the networks either within or between groups, and in interacting with political, institutional and legal arrangements to influence well-being. Also, future social policy has to consider the life-span of human resources. It should address all of the social problems specified in each stage of the life-span of people such as ECEC(Early Childhood Education and Care) for infants, education and care for school-age children, employment and social protection for adults, and social service and care for elderly people. The uncertainty and inequality in the future needs more complex social policy than that of the welfare state or social investment state. Now, the social

policy needs to be reestablished on the ground of three elements of competencies, productivity, and coordination, which play important roles in creating an innovative and inclusive state, as well as in continuing sustainable development.

3. The existing social policy in Korea

The uncertainty and complexity of social structures are shaped by the most important drivers and trends shaping tomorrow's world: digitalization, demographic change (low fertility and aging), globalisation, and cultural and societal change. However, the existing system in Korea is very weak to cope with future challenges.

Currently, the prime minister and the deputy prime minister for social policy are carrying out the steering and cooperation of the social policy. However, the social Policy Coordination Office under prime minister do not have enough speciality about the detail of social policies. Also, the Social Policy Director under the deputy minister for the social policy do not pursue the planned policy with a comprehensive view. In fact, the overall and coordinative functions for social policy are not realized in the Korean government. In Korea, social policies are implemented by several ministries. Due to the fragmentation and separation of social policies into different ministries, detailed social policies are created without a synthesis view that take into consideration the synergy effects and trade-off relations among policies. Now, the Korean government needs to rebuild an enforcement power that can synthesize and coordinate policies regarding social problems.

4. The social policy for the future

Future social policy will be influenced by mega trends such as digital innovation, low birth rate, aging, the rapid reduction of school-age population, changes in the family structure, inflow of foreigners, greenhouse gas emission and climate change. These trends will be interdependent, and will exacerbate uncertainty and inequality in the future. The productivity gap in the labor market will increase with digital innovation, and the low rate of economic growth will continue in Korea. The Korean society will face new challenges such as the exhaustion of pension and finance, monophobia and alienation of elderly people, generational conflict, xenophobia and social conflict, work-life balance, climate change, natural disaster, and social security. we suggest three areas of social policy to overcome these challenges.

First is human resource policy and labor market policy that upgrade competencies of all from infant to elderly people. This means that policies related to investment in people and the work-life-learning balance will be important in the future. Specifically, we emphasizes

the learn-fare system that can pursue the policy-mix in relation to learning, employment, welfare or well-being. Also, gender equality is an important focus of social policy for the future.

Second is the social security policy that assures the quality of individual life in society. The social security policy contains all social welfare policies connected with areas such as education, employability, income security, and care. We suggest three policies; the social security of working age, the quality of social service, and funding for welfare.

Finally, the last policy area is sustainable development, which is related to four areas such as disaster and security, the effect environment and climate, culture, and technology. The sustainability of well-being is inextricably linked with the environment, economics, and people. Furthermore, sustainable development involves cooperation with global scale. These four areas are addressed with the newly suggested paradigm of social policy.

5. The recommendations

The essences of recommendations articulated below are to suggest a new system that can synthesize and coordinate existing social policies separated into several ministries, as well as to establish a process for making policy discussions. We recommend three kinds of areas to rebuild the implementing system of the future social policy.

The first recommendation is to set up the Social Policy Commission that is able to make a decision about social policies. The Social Policy Commission would play an important role in synthesizing and coordinating social policy. Therefore, the Social Policy Commission needs to be composed of members such as the president, ministers, and other experts. The Social Policy Commission would be the top organization overseeing the policy-making process.

Secondly, the new organization for social policy under the deputy prime minister for social policy should be established. The vice minister for the social policy, who would lead the new organization, will synthesize and coordinate the separated social policies, and report the steering result among ministries to the Social Policy Commission, which would help shape the planning and evaluation of social policy.

Third, a Social Policy Center should be installed, and an Experts Network for the Social policy should be established. The Social Policy Center would have the function of a think tank organization that analyze and research the social policy, as well as suggest the results of research and information about social policy. Also, the Experts Network for the Social Policy would centralized professional and expertise about the social policy.

Finally, an institutional system that could steer and coordinate the social policy should

be built. The institutional system needs to be based on a legislative measure that can support the implementation of social policy making long term plans, policy evaluation, and operation of Social Policy Commission. We should revise the existing 'Human Resource Development act' with new institutional devices for future social policy.